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May 14, 2004

*Hand Delivered*

The Honorable Bruce F. Duke  
Executive Director  
South Carolina Public Service Commission  
Post Office Box 11649  
Columbia, South Carolina 29211-1649

Re: Application of Chem-Nuclear Systems, LLC (SCPSC Docket No. 2000-366-A)  
(Fiscal Year 2003-2004 Proceeding)

Dear Mr. Duke:

Enclosed herewith for filing with the Commission, please find an original Proposed Order filed on behalf of Chem-Nuclear Systems, LLC, a Division of Duratek, Inc., in the above-captioned docket. By copy of this letter and by Certificate of Service appended to the Proposed Order, I am serving all parties of record.

Should you have any questions with respect to this matter, please do not hesitate to contact me.

Very truly yours,



Robert T. Bockman

Enclosures

cc: David K. Avant, Esquire  
The Honorable Max K. Batavia  
Robert E. Merritt, Esquire  
Hana Pokorna-Williamson, Esquire

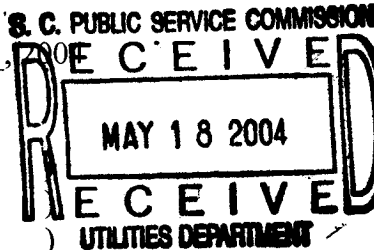
BEFORE  
THE PUBLIC SERVICE COMMISSION OF  
SOUTH CAROLINA

FILED 5/18/04

Docket No. 2000-366-A - Order No. 2004-

May 2004

IN RE: Application of Chem-Nuclear Systems, LLC, a Division of Duratek, Inc., for Adjustment in the Levels of Allowable Costs and for Identification of Allowable Costs



ORDER IDENTIFYING  
ALLOWABLE COSTS

I. INTRODUCTION

This matter is before the Commission by way of the Application of Chem-Nuclear Systems, LLC, a Division of Duratek, Inc., ("Chem-Nuclear" or "the Company"), dated September 26, 2003. By its Application, Chem-Nuclear sought an adjustment in the levels of certain allowable costs, which the Commission had previously identified and for the identification of allowable costs for fiscal year 2003-2004 associated with the operation of the Company's regional low-level radioactive waste disposal facility located in the vicinity of Barnwell, South Carolina ("the Barnwell Facility"). The Application was submitted pursuant to the pertinent provisions of the Atlantic Interstate Low-level Radioactive Waste Compact Implementation Act ("the Act"), which is codified as S.C. Code Ann. §§ 48-46-10, *et. seq.* (1976), as amended.

The Act established a comprehensive economic regulatory program and governs the relationship between the State of South Carolina and operators of facilities for the disposal of low-level radioactive waste. Among other things, the Act provides for South Carolina's

membership in the Atlantic Low-level Radioactive Waste Compact and authorizes the manner in which this State participates in the Compact with the other member states -- Connecticut and New Jersey. S.C. Code Ann. § 48-46-20 (Supp. 2003).

The Act fixes a schedule of annually declining maximum volumes of low-level, radioactive waste that a disposal facility in South Carolina may accept from generators within and without the Compact States. S.C. Code Ann. § 48-46-40(A)(6)(a) (Supp. 2003). In addition, the Act empowers the South Carolina Budget and Control Board (“the Budget and Control Board”) to fix the rates that an operator or a disposal facility may charge a generator for disposal of the generator’s low-level radioactive waste. The Act fixes fees for various purposes and provides for the disposition of revenues produced by the disposal operations of facilities subject to the Act.

Under the Act, the Commission has the responsibility to identify the “allowable costs” of a disposal facility operator. S.C. Code Ann. § 48-46-40(B)(1) (Supp. 2003). “Allowable costs” are “costs to a disposal site operator of operating a regional disposal facility” and they “are limited to costs determined by standard accounting practices and regulatory findings to be associated with facility operations.” S.C. Code Ann. § 48-46-30(I) (Supp. 2003). The Act provides that “allowable costs” expressly include the costs of certain specifically identified activities necessary in the operation of a low-level radioactive waste facility. S.C. Code Ann. § 48-46-40(B)(3)(a) through (n) (Supp. 2003). Section 48-46-40(3) also provides that “allowable costs” include “any other costs directly associated with disposal operations determined by [the Commission] to be allowable.” The Act excludes from identification as “allowable costs” the costs of certain expressly listed activities and “any other costs determined by [the Commission] to be unallowable.” S.C. Code Ann. § 48-46-40(B)(3) (Supp. 2003).

The Act entitles a disposal facility operator to recover an operating margin of 29%, which is applied to identified “allowable costs,” excluding certain “allowable costs” for taxes and the licensing and permitting fees which the operator is responsible to remit to governmental entities. S.C. Code Ann. § 48-46-40(B)(5) (Supp. 2003).

The level of “allowable costs” and the statutory operating margin affect the amount of annual revenue that a disposal facility operator remits to the State of South Carolina. At the end of the fiscal year, the operator pays the South Carolina Department of Revenue an amount equal to the total revenue the operator had received for waste disposal services during the fiscal year, reduced by the operator’s identified “allowable costs,” reduced further by the 29% statutory operating margin on the “allowable costs” under the Act, and reduced further by payments the operator made during the fiscal year for reimbursement of certain administrative costs which the Budget and Control Board, the Commission, the State Treasurer and the Atlantic Compact Commission had incurred for the conduct of those agencies’ responsibilities in administering the Act. S.C. Code Ann. § 48-46-60(B) and (C) (Supp. 2003).

The Act provides that the operator of a low-level radioactive waste disposal site may apply to the Commission for adjustments in the levels of “allowable costs” which the Commission had identified for the previous fiscal year and for identification of costs, which the Commission had not previously identified as “allowable costs.” S.C. Code Ann. § 48-46-40(B)(4) (Supp. 2003). Upon approval of the application, the Act requires the Commission to authorize the site operator to adjust its “allowable costs” for the current fiscal year to compensate the site operator for revenues “lost” during the previous fiscal year (this is, the difference between the level of “allowable costs” previously identified and the level of “allowable costs” identified upon approval of the application). *Id.*

Chem-Nuclear filed its Application in this proceeding for compensation of the difference between the level of “allowable costs” which we identified in Order No. 2003-188 and the level of such costs which the Company actually experienced in the fiscal year 2002-2003 and for identification of Chem-Nuclear’s “allowable costs” for fiscal year 2003-2004.

This case represents the fourth annual proceeding in this Docket, in which the Commission had considered the identification of “allowable costs” for Chem-Nuclear under the provision of the Act. *See*, Order No. 2001-499, dated June 1, 2001; Order No. 2002-395, dated June 3, 2002; and Order No. 2003-188, dated April 14, 2003.

Upon receipt of the Company’s Application, the Commission’s Deputy Executive Director directed Chem-Nuclear to publish a Notice of Filing, advising the public of the submission of the Application and of the manner in which interested persons might intervene or otherwise participate in this proceeding. Chem-Nuclear filed affidavits of publication which demonstrated its compliance with the instructions of the Deputy Executive Director.

The Act specifies certain entities to be parties of record in proceedings for identification of allowable costs before the Commission. Those parties are: the Budget and Control Board, the Consumer Advocate for the State of South Carolina and the Attorney General for the State of South Carolina. S.C. Code Ann. § 48-46-40 (B)(9) (Supp. 2003). In addition, the Atlantic Compact Commission (“the Compact Commission”) and the South Carolina Department of Health and Environmental Control (“DHEC”) have the discretion under the Act to participate as parties. *Id.*

On April 7, 2004, the Commission held an evidentiary hearing with respect to the issues in the Company’s Application. The Honorable Mignon Clyburn, Chairman, presided, and all members of the Commission were in attendance. Appearances were as follows: Robert T.

Bockman, Esquire, represented Chem-Nuclear; Robert E. Merritt, Esquire, and David Avant, Esquire, represented the Budget and Control Board; Hana Pokorna-Williamson, Esquire, represented the Consumer Advocate; and F. David Butler, Jr., General Counsel, represented the Commission Staff. The Compact Commission, the Attorney General and DHEC did not appear or participate in the hearing. Duke Power and South Carolina Electric & Gas Company, which had intervened in this Docket and participated in previous hearings, did not appear or participate in the hearing.

Chem-Nuclear presented the evidence of three witnesses: Regan E. Voit, Carol Ann Hurst and Mark A. Childs. The Commission Staff presented the evidence of William P. Blume. The record of this proceeding consists of the pleadings; the Commission's notices and interlocutory orders; the transcript of the oral testimony, consisting of 261 pages; and eight hearing exhibits, including the "late-filed" exhibit of the Commission Staff, which was submitted with leave of the Commission and agreement of all parties. (TR. p. 240-41).

## II. DISCUSSION OF CONTESTED ISSUES

Nearly all of the issues relating to the identification of "allowable costs" for fiscal year 2002-2003 and for fiscal year 2003-2004 were resolved among the parties or were not contested in the evidence or positions of the parties. Consequently, the Commission will discuss only those issues which had not been resolved and remained outstanding at the close of the evidentiary record.

### A. Contested "Allowable Costs" for Fiscal Year 2002-2003

#### 1. Direct Fixed Labor Costs for Fiscal Year 2002-2003

The Commission Staff proposed to reduce the direct fixed labor costs that Chem-Nuclear incurred in fiscal year 2002-2003 by \$57,058. (TR. pp. 23 and 234; Hearing Ex. No. 7,

Exhibit A, pp. 1 and 3). The Commission Staff based its adjustment on the number of “full-time equivalents” (“FTEs”) that were derived in the Operations and Efficiency Plan (“OEP”) which Chem-Nuclear submitted in compliance with the directives of the Commission. The Commission Staff determined that the number of FTEs exceeded the level developed in the OEP and made a corresponding adjustment. (TR. p. 234).

Chem-Nuclear challenged the Commission Staff’s adjustment on the grounds that the additional labor costs were attributable to activities on the site that the OEP could not have predicted and that were necessary for proper disposal operations. (TR. pp. 44-45). Some of those activities were undertaken in response to the abnormally heavy rainfall levels that occurred in the latter half of the fiscal year. The heavy rainfall required Chem-Nuclear to engage in additional trench water management, additional maintenance and grading of on-site roads, and additional activities related to the surface water management features on the site. During the fiscal year, Chem-Nuclear also began the construction of its planned storm water management improvement project to prevent the runoff of storm water onto adjacent properties. Finally, during the fiscal year, Chem-Nuclear completed the Environmental Radiological Performance Variations that DHEC had required the Company to accomplish.

The Commission Staff did not dispute the fact that the activities which caused the level of the FTEs to exceed the level in the OEP had actually occurred. (TR. p. 165-166). Nor did the Commission Staff dispute the fact that Chem-Nuclear had actually incurred the direct labor costs associated with those activities. (TR. pp. 165-166 and 168). The Commission Staff did not dispute the reasonableness of the direct labor costs and the Commission Staff did not testify that the activities were unrelated to disposal operations. Rather, the Commission Staff based its

adjustment on the premise that there is a direct, one-to-one relationship between FTEs and labor costs. (TR. p.251).

In the first place, the Act provides for the identification of costs as “allowable” if they are costs for activities that are necessary for, among other things, the construction of trenches, the construction and maintenance of necessary physical facilities, administrative costs directly associated with disposal operations (including salaries, wages and employee benefits), and for compliance with regulatory requirements. S.C. Code Ann. § 48-46-40 (B)(3)(b), (c), (h) and (j) (Supp. 2003). Approval of the Commission Staff’s adjustment would amount to a determination that the direct labor costs associated with those disposal activities were somehow not necessary, or unreasonable, or had not actually incurred. The evidence before us would not support that result.

Moreover, the Commission Staff’s adjustment is based on an expectation that the OEP should have been able to predict the occurrence of the kinds of abnormal and unplanned activities like those at issue and to have incorporated their effects. That expectation would impose an unrealistic requirement on persons who develop studies like the OEP.

Finally, the basic premise for the Commission Staff’s adjustment rests on a misunderstanding of the proper use of FTEs and the relationship of FTEs to the number of employees. As Chem-Nuclear’s witness, Mark A. Childs, the project manager for the independent consultant which prepared the OEP, explained, “[A] full-time equivalent is a unit of measure of a labor resource, and the total number of full-time equivalents does not equate to the total number of employees.” (TR. p. 114). Mr. Childs further explained, “In reality, the actual number of employees needed to perform the work is normally greater than the number of full-time equivalents. It is the responsibility of Chem-Nuclear management to determine the number



of employees required to accomplish that amount of work.” (TR. pp. 114-15). As the record establishes, the estimate of FTEs is only the initial step in that determination. Chem-Nuclear must base its decisions for the number and use of its employees on a variety of practical factors including skill requirements, labor resource availability, productivity requirements, corporate policy, regulatory considerations, and management practices. (TR. p. 46 and 115). The evidence establishes that as a consequence of the existence of so many factors, the relationship between FTEs and labor dollars is not a direct, one-to-one relationship, and that the approval of the Commission Staff’s adjustment would represent a reduction in labor dollars that would have the same effect as reducing the number of employees that Chem-Nuclear’s management has determined are necessary to operate the Barnwell Facility. (TR. p. 45). The evidence does not justify our approval of that adjustment. Consequently, we shall identify as allowable for fiscal year 2002-2003 the direct labor costs of \$116,953, and the associated fringe costs, which exceeded the amounts previously identified in Order No. 2003-188, as Chem-Nuclear seeks in its Application. (TR. p. 128).

2. The Allocated Cost of the Support Structure for the Maine Yankee Reactor Pressure Vessel

The Commission Staff proposed to reduce the cost that Chem-Nuclear incurred in fiscal year 2002-2003 which was associated with the support structure (to which the parties referred as a “skid”), which was used in the transportation and disposal of the Maine Yankee Reactor Pressure Vessel. The Company proposed that the amount of \$191,248, which represented one-half of the total cost of the design, engineering, fabrication and delivery of the skid, be identified as an “allowable cost.” (TR. pp. 24-25, 47-65, 73-74, and 76-79). The Commission Staff proposed to reduce the amount of allocated cost by \$26,354 and that the Commission consequently identify as an “allowable cost” for the skid the amount of \$164,894

(TR. pp. 234-36). The difference between the amounts is attributable to the different allocation methods that Chem-Nuclear and the Commission Staff used.

The skid was used to support the 950-ton Reactor Pressure Vessel for both transportation to, and disposal in, the Barnwell Facility. (TR. pp. 24 and 47-48). The specifications and construction of the skid had to meet disposal requirements to stabilize the Reactor Pressure Vessel in the disposal trench and to minimize subsidence in the trench. Because the skid was used both for transport and disposal, the Company allocated one-half of the total cost to each of those operations. (TR. p. 24-25, 47-48 and 50-51). The alternative approach would have been to design, fabricate and deliver two separate skids, one for transportation and another for disposal, with some duplicative costs and additional labor costs for removal of the Reactor Pressure Vessel from the transportation skid to the disposal skid. (TR. p. 24-25).

In addition, the cost for the skid which Chem-Nuclear proposed to be identified as an “allowable cost” did not include any of the costs for the design of the skid even though the skid had to be designed to meet the requirements for disposal. (TR. p. 24 and 182). Finally, the record demonstrates that more than one-half of the skid is actually being used for stabilization of the Reactor Pressure Vessel in the trench. (TR. pp. 48, 77-78).

The Commission Staff proposed to allow as an “allowable cost” only 43% of the costs actually incurred by Chem-Nuclear for the cost of the skid. The basis for the Commission Staff’s adjustment was its determination that Chem-Nuclear’s allocation method was insufficiently documented (TR. p. 235). Consequently, the Commission Staff used an allocation method based on the relative relationship between the revenues from the Maine Yankee project that were attributable to transportation operations and the revenues attributable to disposal operations. (TR. pp. 183-185).

Based on the evidence in the record, the Commission considers that Chem-Nuclear's allocation methodology was reasonable under the circumstances and that Chem-Nuclear has proposed a proper amount of "allowable cost" to be used in this proceeding. The 50/50 allocation methodology reflects the fact that the costs which Chem-Nuclear incurred do not include design costs, which results in a lower cost than would otherwise be expected for a skid that served the dual purposes of support in transportation and disposal. Moreover, the facts that more than one-half of the skid was required for disposal and more than one-half of the structure is actually being used for support of the Reactor Pressure Vessel in its disposal trench justifies the use of a methodology that allocates only one-half of the costs to disposal operations. Consequently, for this proceeding, we shall identify the amount of \$191,248 as the "allowable cost" for the skid. Our identification of that specific "allowable cost" of the skid is limited to this circumstance only. The Commission agrees with the recommendations of the Commission Staff that additional detail and facts should be available as evidence in future cases to support our consideration of "allowable costs" for support structures used for disposal of large components or large objects similar to a reactor pressure vessel. (TR. p. 185-186). We advise all parties of our expectations of the nature of additional evidence that must be presented to justify treatment of the costs for such structures as "allowable."

B. Contested Issues for Fiscal Year 2003-2004

1. Treatment of the Balance of the Costs for Preparation of the Operations and Efficiency Plan for Fiscal Year 2003-2004

In Order No. 2003-188, we identified as an "allowable cost" one-half of the total costs which Chem-Nuclear incurred for preparation of the OEP. We deferred consideration of the balance of those costs, an amount of \$123,698, as the Commission Staff had recommended. Order No. 2003-188 at 8.

In Order No. 2001-499, the Commission directed Chem-Nuclear to provide “an operations and efficiency plan” for the Barnwell Facility to be prepared by an independent consultant to quantify the effect on fixed and variable costs resulting from the reductions in volumes of waste which the Act imposed. The Commission directed the completion of the plan by June 30, 2002, and stated that the Commission would review and consider the findings and recommendations of the plan in subsequent hearings in this Docket. Order No. 2001-499 at 29-30.

Thereafter, the Commission approved Chem-Nuclear’s request for proposals (“RFP”) by which it solicited proposals from independent contractors for preparation of the plan. By Order No. 2002-1, dated January 7, 2001, the Commission found the criteria in the RFP to be appropriate to meet the Commission’s objectives. On June 26, 2002, Chem-Nuclear filed the OEP with the Commission.

In Order No. 2003-188, the Commission determined that the use of certain information in the OEP was appropriate for determining “allowable costs” for fiscal year 2002-2003. The Commission reserved the right to evaluate the OEP more fully in future proceedings in this Docket. The Commission further directed the conduct of a “collaborate review” process, which would permit all parties to the proceedings in this Docket to review completely the OEP and to attempt to reach a consensus on the validation of the OEP. Order No. 2003-188 at 9 and 10.

On June 16, 2003, after the conduct of the collaborative review process, which the Commission had directed in Order 2003-188, Chem-Nuclear submitted a Report of Collaborative Review of the OEP. See Hearing Exhibit No. 1 (REV-1). All of the participating parties either signed the Report or later indicated general acceptance of it. That Report indicated that the parties had reached a consensus that the information in the OEP was a valid representation of

Chem-Nuclear's disposal site operations and that the OEP could validly be used as a baseline for establishing a method for the identification of "allowable costs" in future proceedings. (Id. and TR. p. 38).

On September 3, 2003, the Commission issued Order No. 2003-537 in which the Commission held that the Report provided "a good characterization of the costs involved in Chem-Nuclear's processing of hazardous waste, and an excellent breakdown and analysis of these costs." The Order No. 2003-537 stated the Commission's belief "that the collaborative Review and the OEP ... provide an excellent roadmap for future Commission reviews of Chem-Nuclear's allowable costs." Order No. 2003-537 at 5-6. While the Commission recognized that its previous Order No. 2003-188 would permit any party to provide testimony regarding the validity of the OEP in this case, the Commission "approved" the Collaborative Review of the OEP and held that the OEP "provides appropriate guidelines to consider in future proceedings on allowable costs." Id. at 6.

In Order No. 2003-188, the Commission had directed Chem-Nuclear to include the use of the OEP in the information that it intended to submit in its Application in this case. Chem-Nuclear's Application and the evidence of record establishes that it has complied with that directive.

The Company proposed the identification of the remaining balance in the amount of \$123,698 for the costs of preparation of the OEP as an "allowable cost" for fiscal year 2003-2004 in this proceeding. (TR. p. 143). The Commission Staff did not propose the identification of that amount as an "allowable cost" until evidence in support of the OEP was presented in this case. (TR. pp. 188-89). The Commission Staff recommended that, if the Commission finds that

the OEP complies with Order No. 2001-499, then the Commission could identify the amount of \$123,698 as an “allowable cost.” (TR. p. 189).

The evidence in the record contains a full description of the organization, development, recommendations and conclusions, and uses of the OEP (TR. pp. 13-18, 35-43, and 88-121). As Chem-Nuclear’s witnesses Regan E. Voit and Mark A Childs described, the OEP addresses resource requirements for waste disposal, support services, and administration of the Barnwell Facility as waste volumes decline under the terms of the Act; addresses fixed and variable costs necessary for safe operation of the Barnwell Facility as volumes decline; identifies significant cost drivers, such as the cost of concrete vaults and costs to prepare and construct new trenches; and focuses on the configuration of trenches and vaults to optimize the economics of the site’s capacity.

Mr. Childs explained in detail the methodology that his company, Project Time and Cost, Inc., used in developing the OEP (TR. pp 92-99). He likewise summarized the results of his work in the determination of cost categories and resource requirements based on different waste volume ranges for difference scenarios. (TR. pp. 99-101).

Chem-Nuclear used the cost categories from the OEP, as revised during the Collaborative Review process, for the purposes of depicting costs for fiscal year 2003-2004 described in the Company’s Application. Those cost categories, upon which the parties agreed, are fixed costs, variable costs and irregular costs. (TR. pp. 15-18 and 40-42). The OEP was also instrumental in the derivation of the variable cost rates for types of waste disposed at the Barnwell Facility.

The Commission Staff made use of the Report and the OEP in its determination of costs for the fiscal year 2003-2004 (TR. pp. 204 and 207). As a consequence, the Commission Staff

and Chem-Nuclear generally agreed on the “allowable costs” that they recommended be identified for the fiscal year 2003-2004.

Based on the evidence in the record of this proceeding with respect to the development and use of the OEP, we find that the OEP has proved to be a valid and reasonable method for derivation of “allowable costs” and we shall approve its use for that purpose. Consequently, we shall also identify as an “allowable cost,” the remaining \$123,698 of costs associated with the preparation of the OEP that Chem-Nuclear incurred. In accordance with the provisions of the Act, the statutory 29% operating margin is applicable to those costs. While the OEP is valid and useful, our approval here does not preclude any party in future proceedings from employing refinements to the OEP or proposing other methods for our consideration, since future events may affect costs in ways that neither the OEP nor any party can predict now with certainty.

## 2. Rate for Variable Material Cost

During the hearing, Chem-Nuclear expressed its agreement with the Commission Staff’s proposed rate for variable material cost. As Chem-Nuclear’s witness, Ms. Carol Ann Hurst, testified, “We shall make adjustments to recover the actual costs . . . and shall propose an appropriate adjustment” in future applications. (TR. p. 149). Appendix B which is attached to the Proposed Order incorporates Chem-Nuclear’s agreement with the Commission’s staff position on the rate for variable material cost.

## C. The Cost Point Accounting System

In Order No. 2003-439, the Commission reserved for this proceeding its final consideration and decision of the Company’s Cost Point accounting system. In this proceeding, the Commission Staff thoroughly reviewed Chem-Nuclear’s use of the Cost Point System. (TR. pp. 161-163). The Commission Staff’s testimony described in detail the advantages of the Cost

Point System (Id.) In the Commission Staff's opinion, the Cost Point System is "the best suited for the collection and presentation of the financial information of [Chem-Nuclear]." (TR. p. 161).

Based upon the uncontested evidence of record, the Commission will herein approve Chem-Nuclear's use of the Cost Point System on a final basis.

### III. FINDINGS AND CONCLUSIONS

1. The Public Service Commission of South Carolina is authorized and directed by S. C. Code Ann. Section 48-46-40(B), et seq. (Supp. 2003) to identify allowable costs for operating a regional low-level radioactive waste disposal facility in South Carolina. The described facility is located in Barnwell, South Carolina.

2. Chem-Nuclear has operated the disposal site in question continuously since 1971 without interruptions. The site is comprised of approximately 235 acres of property owned by the State of South Carolina and leased by Chem-Nuclear from the Budget and Control Board. Approximately 102 acres of the 235 acres have been used for disposal. Approximately 13 acres remain available for disposal.

3. We hold that Chem-Nuclear's Cost Point Accounting System accurately reports financial transactions, and we approve Chem-Nuclear's use of that accounting system.

4. The various accounts and the undisputed amounts that shall herein be approved by this Commission as allowable costs for fiscal year 2002-2003, the allowable variable costs for that year, and the various accounts and undisputed amount for payment of costs over and above those approved are included in the Appendix A, which is attached to this Order.

5. Further, we approve the individual accounts and the sum of \$7,048,693 in fixed and irregular costs and the variable vault costs rates for classes of waste for fiscal year 2003-



2004, as depicted in Appendix B which is attached to this Order. The actual expense will be dependent on the actual volume and class of waste received. Those amounts and rates are appropriately documented in the record of this proceeding, and the amounts and rates are hereby adopted as reflecting the true allowable cost for Chem-Nuclear to operate the Barnwell Facility.

6. The modifications to the Key Manager and Employee Compensation Plan, proposed by Chem-Nuclear are approved.

7. Chem-Nuclear shall continue to submit monthly reports of variable cost data to the Commission as required by Commission Order No. 2001-499.

8. This Order shall remain in full force and effect until further Order of the Commission.

BY ORDER OF THE COMMISSION:

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Mignon L. Clyburn, Chairman

ATTEST:

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Bruce F. Duke, Executive Director

(SEAL)

Chem-Nuclear Systems, LLC  
Operating Experience And Reimbursable Costs  
Fiscal Year Ending June 30, 2003

APPENDIX A

| <u>Description</u>  |                     |
|---|---------------------|
| <u>Waste Dependent Cost</u>   |                     |
| Vault and Trench Amortization Cost  | \$ 1,479,521        |
| <u>Direct Costs</u>   |                     |
| Exempt Labor-Includes Waste Dependent Labor   | \$ 1,380,059        |
| Subcontract ODC Labor   | \$ 65,508           |
| Overtime  | \$ 45,698           |
| Fringe Benefits-Includes Waste Dependent Fringes  | \$ 664,607          |
| Direct Materials  | \$ 467,320          |
| Contract Services   | \$ 583,734          |
| Equipment Leases  | \$ 286,771          |
| Insurance Premiums  | \$ 725,205          |
| Miscellaneous/ODC   | \$ 1,386            |
| Machine & Equipment Maintenance   | \$ 50,117           |
| Federal Express & Postage   | \$ 6,016            |
| Laboratory/Safety Services and Supplies   | \$ 1,427            |
| Travel  | \$ 3,255            |
| Total Direct Cost   | \$ 4,281,103        |
| <b>Total Direct Cost &amp; Vault and Trench Amortization Cost</b>                       | <b>\$ 5,760,624</b> |
| Exempt Labor  | \$ 977,016          |
| Fringe Benefits   | \$ 370,397          |
| Overtime  | \$ 1,003            |
| Temporary Labor   | \$ 252              |
| Consultants   | \$ 274,061          |
| Medical Examinations  | \$ 12,286           |
| Laboratory Services   | \$ 3,488            |
|   | \$ 289,835          |
| Depreciation  | \$ 328,894          |
| Machine/Equipment Maintenance-Rental  | \$ 102,735          |
| Dues and Subscriptions  | \$ 69,795           |
| Education/Training  | \$ 8,839            |
| Advertising/Recruiting  | \$ (12,434)         |
| Employee Cost   | \$ 904              |
|   | \$ 67,104           |
| Miscellaneous   | \$ 76,991           |
| Office Supplies   | \$ 40,413           |
| Postage   | \$ 10,280           |
|   | \$ 127,684          |
| Travel  | \$ 59,160           |
| Telephone   | \$ 80,850           |
| Utilities   | \$ 110,279          |
|   | \$ 191,129          |
| Management Fees/G&A Allocation  | \$ 824,418          |
| <b>Total Indirect Costs</b>   | <b>\$ 3,339,627</b> |
| Total Costs Allowed for Reimbursement and 29% Operating Margin                          | \$ 9,100,251        |
| Retention Labor Cost  | \$ 89,364           |
| Intangible Assets   | \$ 625,000          |
| Total Cost Reimbursed without Operating Margin  | \$ 714,364          |
| <b>Total Direct, Indirect Vault and Trench Amortization Costs and Intangible Assets</b> | <b>\$ 9,814,615</b> |

Chem-Nuclear Systems, LLC  
Summary of Identified Allowable, Irregular and Variable Costs  
Fiscal Year Ending June 30, 2004

APPENDIX B

| <u>Description of Costs</u>                              |                     |
|--|---------------------|
| <b><u>Direct Costs</u></b>                               |                     |
| Direct Labor   | \$ 420,056          |
| Direct Fringe  | \$ 176,003          |
| Equipment 11.01.01                                       | \$ 294,500          |
| Maintenance 11.01.04                                     | \$ 28,600           |
| R&M Equipment Maint 11.01.09                             | \$ 85,000           |
| Contract Services 11.01.06                               | \$ 109,598          |
| Materials 11.01.02                                       | \$ 62,400           |
| Other Direct Costs 11.01.07                              | \$ 50,403           |
| Project Costs 11.01.10                                   | \$ 58,600           |
| Federal Express & Postage 11.01.08                       | \$ 3,000            |
| Travel 11.01.06  | \$ 6,000            |
|  | \$ 698,101          |
| Total Direct Fixed Cost                                  | \$ 1,294,160        |
| <b><u>Indirect Costs</u></b>                             |                     |
| Indirect Labor   | \$ 1,451,811        |
| Indirect Fringes   | \$ 608,307          |
| Building Utilities 11.02.04                              | \$ 198,100          |
| Equipment 11.02.06                                       | \$ 52,150           |
| Office Supplies & Expenses 11.02.03                      | \$ 93,600           |
| Travel 11.02.01  | \$ 53,000           |
| Employee Costs 11.02.02                                  | \$ 70,000           |
| Services 11.02.05  | \$ 134,695          |
| Management Fee/G&A Allocation                            | \$ 686,000          |
| Total Indirect Costs other than Labor & Fringe           | \$ 1,287,545        |
| Total Indirect Fixed Cost                                | \$ 3,347,663        |
| <b>Total Fixed Costs Qualifying for Operating Margin</b> | <b>\$ 4,641,823</b> |
| Operating Rights   | \$ 625,000          |
| Total Fixed Costs  | \$ 5,266,823        |
| Irregular Costs as of Hearing                            | \$ 1,781,870        |
| <b>Total Fixed and Irregular Cost</b>                    | <b>\$ 7,048,693</b> |
| <b><u>Variable Costs Rates</u></b>                       |                     |
| Class A Waste  | 22.83               |
| Class B Waste  | 23.78               |
| Class C Waste  | 23.57               |
| Slit Trench Waste  | 91.04               |
| Vault Labor Rate   | 82.47               |
| A, B, & C Waste Labor Rate                               | 882.86              |
| Slit Trench Labor Rate                                   | 5,289.12            |
| Waste Acceptance Labor Rate                              | 257.86              |
| Trench Record Labor Rate                                 | 51.65               |

BEFORE THE PUBLIC SERVICE COMMISSION  
OF SOUTH CAROLINA

Docket No. 2000-366-A

IN RE: Application of Chem-Nuclear Systems, )  
LLC, a Division of Duratek, Inc., for )  
Adjustment in the Levels of Allowable )  
Costs and for Identification of Allowable )  
Costs )  
\_\_\_\_\_ )

**CERTIFICATE  
OF SERVICE**

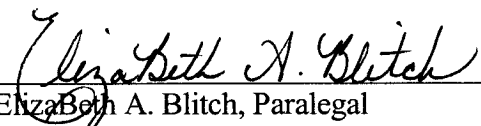
I, ElizaBeth A. Blitch, do hereby certify that I have this date served one (1) copy of the Proposed Order of Chem-Nuclear Systems, LLC upon the following parties by causing said copies to be deposited with the United States Postal Service, first class postage properly affixed thereto and addressed as follows:

Robert D. Merritt, Esquire  
Office of the Governor  
1201 Main Street, Suite 1010  
Columbia, South Carolina 29211

Hana Pokorna-Williamson, Esquire  
SC Dept. of Consumer Affairs  
PO Box 5757  
Columbia, South Carolina 29250-5757

The Honorable Max K. Batavia  
Atlantic Compact Commission  
1201 Main Street  
Suite 826  
Columbia, South Carolina 29201

David K. Avant, Esquire  
Assistant General Counsel  
S.C. Budget and Control Board  
1201 Main Street, Suite 800  
Columbia, South Carolina

  
ElizaBeth A. Blitch, Paralegal  
McNAIR LAW FIRM, P.A.  
Post Office Box 11390  
Columbia, South Carolina 29211  
(803) 799-9800

May 14, 2004

Columbia, South Carolina

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